



Mary Taylor, CPA  
Auditor of State



**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - Cash Basis - December 31, 2006.....	9
Statement of Activities - Cash Basis - For the Year Ended December 31, 2006 .....	10
Statement of Cash Basis Assets and Cash Basis Fund Balance - Governmental Fund - December 31, 2006 .....	11
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance - Governmental Fund - For the Year Ended December 31, 2006 .....	12
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Mental Health and Recovery Fund – For the Year Ended December 31, 2006 .....	13
Notes to the Basic Financial Statements .....	15
Schedule of Federal Awards Expenditures.....	21
Notes to the Schedule of Federal Awards Expenditures .....	22
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standard</i> .....	23
Independent Accountant's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	25
Schedule of Findings – OMB Circular A-133 § .505 .....	27

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Mental Health and Recovery Board  
Belmont County  
99 North Sugar Street  
St. Clairsville, Ohio 43950

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio (the Board), as of and for the year ended December 31, 2006, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio, as of December 31, 2006, and the changes in cash financial position and the budgetary comparison for the Mental Health and Recovery Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2007, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 10, 2007

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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The discussion and analysis of the Mental Health and Recovery Board's financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2006, within the limitations of the Board's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- Net assets of governmental activities decreased \$1,768,112 or 63.1 percent.
- The Board's general receipts accounted for \$3,441,590 in receipts or 46.5 percent of all receipts, and are primarily property taxes and unrestricted grants and entitlements. Program specific receipts in the form of operating grants and contributions accounted for \$3,954,968 or 53.5 percent of total receipts of \$7,396,558.
- The Board had \$9,164,670 in disbursements related to governmental activities; only \$3,954,968 of these disbursements was offset by program specific operating grants and contributions. General receipts of \$3,441,590 were not adequate to provide for these programs. \$1,768,112 was required from the Board's fund balance.
- The Board's major fund had \$7,396,558 in receipts and \$9,164,670 in disbursements. The cash fund balance decreased \$1,768,112.

**Using the Basic Financial Statement**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Board's cash basis of accounting.

**Report Components**

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the cash activities of the Board as a whole.

Fund financial statements provide a greater level of detail. A fund was created and maintained on the financial records of the Board. These statements present financial information by fund.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Board has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Board's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Board as a Whole**

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis reflect how the Board did financially during 2006, within the limitations of the cash basis of accounting. The Statement of Net Assets – Cash Basis presents the cash balance of the governmental activities of the Board at year end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for the governmental program. Program receipts include operating grants and contributions restricted to meeting the operational requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Board's general receipts.

These statements report the Board's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Board's financial health. Over time, increases or decreases in the Board's cash position are indicators of whether the Board's financial health is improving or deteriorating. When evaluating the Board's financial condition, you should also consider other non-financial factors as well, such as the Board's property tax base, the population base, the extent of the Board's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Board's activities consist of:

Governmental activities. The Board's mental health and dependency rehabilitation program services are reported here. State and federal grants and income from property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid by the people receiving them.

**Reporting the Board's Fund**

Fund financial statements provide detailed information about the Board's major fund – not the Board as a whole. The Board established the Mental Health and Recovery Fund to manage its activities and to help demonstrate that restricted money is being spent for the intended purpose. The fund of the Board is governmental.

Governmental Fund - The Board's activities are reported in a governmental fund. The governmental fund financial statements provide a detailed view of the Board's governmental operations and the basic service it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Board's program. The Board's only major governmental fund is the Mental Health and Recovery Fund. The program reported in the governmental fund is closely related to those reported in the governmental activities sections of the entity-wide statements.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**The Board as a Whole**

Table 1 provides a summary of the Board's net assets for 2006 compared to 2005 on a cash basis:

**Table 1**  
**Net Assets – Cash Basis**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Cash Basis Assets</b>		
Cash and Cash Equivalents	<u>\$1,034,898</u>	<u>\$2,803,010</u>
<b>Net Assets</b>		
Unrestricted	<u>1,034,898</u>	<u>2,803,010</u>
<b>Total Net Assets</b>	<u>\$1,034,898</u>	<u>\$2,803,010</u>

As mentioned previously, net assets of governmental activities decreased \$1,768,112 or 63.1 percent during 2006. The primary reason contributing to the decrease in the cash balance is the timing of cash receipts. Particularly, Ohio Department of Mental Health state subsidy funds for this period were not received until 2007. The Board's revenue from its two major fund providers, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services, is awarded on a state fiscal year basis. Although this funding has remained relatively stagnant for a number of fiscal years, the timing of receipts and requests for reimbursement can fluctuate widely within the audit period.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities:

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
<b>Receipts:</b>		
Program Cash Receipts		
Operating Grants and Contributions	\$3,954,968	\$3,643,904
<b>Total Program Cash Receipts</b>	<b>3,954,968</b>	<b>3,643,904</b>
General Receipts		
Property Taxes Levied for General Purposes	965,366	975,328
Entitlements – Unrestricted	2,420,841	5,194,629
Other Receipts	55,383	99,045
<b>Total General Receipts</b>	<b>3,441,590</b>	<b>6,269,002</b>
<b>Total Receipts</b>	<b>7,396,558</b>	<b>9,912,906</b>
<b>Disbursements:</b>		
Mental Health and Dependency Rehabilitation:		
Salaries	257,667	234,734
Supplies	6,206	6,608
Equipment	0	6,473
Contracts – Repairs	8,200	15,235
Contracts – Services	8,758,818	8,820,130
Travel and Expenses	12,406	14,531
Public Employee's Retirement	33,274	31,727
Worker's Compensation	3,998	3,185
Medicare	2,940	2,479
Other Expenses	81,161	112,182
<b>Total Disbursements</b>	<b>9,164,670</b>	<b>9,247,284</b>
<b>Change in Net Assets</b>	<b>(\$1,768,112)</b>	<b>\$665,622</b>

Program receipts represent 53.5 percent of total receipts and are primarily comprised of restricted operating grants and contributions.

General receipts represent 46.5 percent of the Board's total receipts, and of this amount, 28.1 percent are local taxes. State and federal grants and entitlements make up the balance of the Board's general receipts (70.3 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for mental health and dependency rehabilitation program represent the overhead costs of running the Board and the contract services provided for the Board activities by not-for-profit agencies. The majority of cash disbursements were for contract services which account for \$8,758,818, or approximately 95.6 percent of total cash disbursements.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

**Governmental Activities**

If you look at the Statement of Activities – Cash Basis, you will see that the first column details the mental health and dependency program services provided by the Board. The next column identifies the costs of providing these services. The major program disbursements for governmental activities were for contract services, which accounted for 95.6 percent of all cash disbursements. The next column on the Statement entitled Program Cash Receipts identifies operating grants and contributions received by the Board that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Assets column compares the program cash receipts to the cost of the service. This “net cost” amount represents the cost of the program service which ends up being paid from the general receipts, which consists of property taxes, unrestricted grants and state entitlements, and other receipts. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
**Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Mental Health and Dependency Rehabilitation:				
Salaries	\$257,667	\$234,734	\$257,667	\$234,734
Supplies	6,206	6,608	6,206	6,608
Equipment	0	6,473	0	6,473
Contracts – Repairs	8,200	15,235	8,200	15,235
Contracts – Services	8,758,818	8,820,130	4,803,850	5,176,226
Travel and Expenses	12,406	14,531	12,406	14,531
Public Employee's Retirement	33,274	31,727	33,274	31,727
Worker's Compensation	3,998	3,185	3,998	3,185
Medicare	2,940	2,479	2,940	2,479
Other Expenses	81,161	112,182	81,161	112,182
<b>Total Disbursements</b>	<b>\$9,164,670</b>	<b>\$9,247,284</b>	<b>\$5,209,702</b>	<b>\$5,603,380</b>

The dependence upon property taxes and unrestricted grants and entitlements is apparent as 56.8 percent of governmental activities are supported through these general receipts.

**Mental Health and Recovery Board**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**The Board's Fund**

The Board's only governmental fund had total receipts of \$7,396,558 and disbursements of \$9,164,670. The fund balance decreased \$1,768,112, mainly as a result of timing of cash receipts and disbursements. The Board's revenue from its two major fund providers, the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services, is awarded on a state fiscal year basis. While funding has remained relatively stagnant for a number of years, the timing of cash receipts and requests for reimbursement can fluctuate during the audit period.

**Budgeting Highlights**

The Board's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2006, the Board amended its appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final budget.

**Current Issues**

The Board contracts with seven provider agencies to deliver mental health and substance abuse services to the residents of Belmont, Harrison, and Monroe Counties.

Rising cost of contract agencies' services and increased state hospital costs with a stagnant revenue base may reduce the ability to provide the current level of community services. The Board and its administration must maintain careful financial planning and prudent fiscal management in order to balance the budget annually.

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and providers with a general overview of the Board's finances and to reflect the Board's accountability for the money it receives. Questions concerning any of the information should be directed to Sandra Kelner, Fiscal Officer, at Mental Health and Recovery Board, 99 North Sugar Street, St. Clairsville, Ohio 43950.

**Mental Health and Recovery Board**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$1,034,898</u>
<i>Total Assets</i>	<u>1,034,898</u>
<b>Net Assets</b>	
Unrestricted	<u>1,034,898</u>
<i>Total Net Assets</i>	<u><u>\$1,034,898</u></u>

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2006

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>			
Mental Health and Dependency Rehabilitation:			
Salaries	\$257,667	\$	(\$257,667)
Supplies	6,206		(6,206)
Contracts - Repairs	8,200		(8,200)
Contracts - Services	8,758,818	3,954,968	(4,803,850)
Travel and Expenses	12,406		(12,406)
Public Employee's Retirement	33,274		(33,274)
Worker's Compensation	3,998		(3,998)
Medicare	2,940		(2,940)
Other Expenses	81,161		(81,161)
	<u>\$9,164,670</u>	<u>\$3,954,968</u>	<u>(\$5,209,702)</u>
<i>Total Governmental Activities</i>			
<b>General Receipts</b>			
Property Taxes Levied for General Purposes			965,366
Grants and Entitlements not Restricted to Specific Programs			2,420,841
Other Receipts			55,383
			<u>3,441,590</u>
<i>Total General Receipts</i>			
Change in Net Assets			(1,768,112)
<i>Net Assets Beginning of Year</i>			<u>2,803,010</u>
<i>Net Assets End of Year</i>			<u>\$1,034,898</u>

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Cash Basis Assets and Cash Basis Fund Balance*  
*Governmental Fund*  
*For the Year Ended December 31, 2006*

	<b>Mental Health and Recovery Fund</b>
<b>Cash Basis Assets</b>	
Cash and Cash Equivalents	\$1,034,898
<i>Total Cash Basis Assets</i>	<u>1,034,898</u>
<b>Cash Basis Fund Balance</b>	
Reserved for Encumbrances	116,500
Unreserved, Undesignated	<u>918,398</u>
<i>Total Cash Basis Fund Balance</i>	<u>\$1,034,898</u>

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance*  
*Governmental Fund*  
*For the Year Ended December 31, 2006*

	<b>Mental Health and Recovery Fund</b>
<b>Receipts</b>	
Taxes	\$965,366
Grants	6,375,809
Other Receipts	55,383
<i>Total Cash Receipts</i>	<i>7,396,558</i>
<b>Disbursements</b>	
Current:	
Salaries	257,667
Supplies	6,206
Contracts - Repairs	8,200
Contracts - Services	8,758,818
Travel and Expenses	12,406
Public Employee's Retirement	33,274
Worker's Compensation	3,998
Medicare	2,940
Other Expenses	81,161
<i>Total Cash Disbursements</i>	<i>9,164,670</i>
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	<i>(1,768,112)</i>
<i>Cash Basis Fund Balance Beginning of Year</i>	<i>2,803,010</i>
<i>Cash Basis Fund Balance End of Year</i>	<i>\$1,034,898</i>

See accompanying notes to the basic financial statements

**Mental Health and Recovery Board**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
 In Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
 Mental Health and Recovery Fund  
 For the Fiscal Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$800,000	\$800,000	\$965,366	\$165,366
Grants	7,125,000	7,125,000	6,375,809	(749,191)
Other Receipts	75,000	75,000	55,383	(19,617)
<i>Total Cash Receipts</i>	<u>8,000,000</u>	<u>8,000,000</u>	<u>7,396,558</u>	<u>(603,442)</u>
<b>Disbursements</b>				
Current:				
Salaries	250,433	257,673	257,667	6
Supplies	9,000	9,000	7,206	1,794
Equipment	7,500	7,500	0	7,500
Contracts - Repairs	18,000	18,000	10,200	7,800
Contracts - Services	10,000,000	9,992,760	8,858,818	1,133,942
Advertising and Printing	1,750	1,750	0	1,750
Travel and Expenses	21,500	21,500	15,406	6,094
Public Employee's Retirement	35,000	35,000	33,274	1,726
Worker's Compensation	5,000	5,000	3,998	1,002
Medicare	2,791	2,991	2,940	51
Other Expenses	198,700	198,500	91,661	106,839
<i>Total Cash Disbursements</i>	<u>10,549,674</u>	<u>10,549,674</u>	<u>9,281,170</u>	<u>1,268,504</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(2,549,674)</u>	<u>(2,549,674)</u>	<u>(1,884,612)</u>	<u>665,062</u>
<i>Cash Basis Fund Balance Beginning of Year</i>	2,691,010	2,691,010	2,691,010	0
Prior Year Encumbrances Appropriated	<u>112,000</u>	<u>112,000</u>	<u>112,000</u>	<u>0</u>
<i>Cash Basis Fund Balance End of Year</i>	<u>\$253,336</u>	<u>\$253,336</u>	<u>\$918,398</u>	<u>\$665,062</u>

See accompanying notes to the basic financial statements

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**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2006

**Note 1 - Reporting Entity**

The Mental Health and Recovery Board, Belmont County (the Board), is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

The Board is directed by an eighteen-member Board. Members shall be residents of the district. The Director of the Ohio Department of Mental Health shall appoint four members, the Director of the Ohio Department of Alcohol and Drug Addiction Services shall appoint four members, and the remaining ten members shall be appointed by the County Commissioners of Belmont, Harrison, and Monroe counties proportionate to population. The Board provides alcohol, drug addiction, and mental health services and programs to citizens of the Board area. These services are provided primarily through contracts with not-for-profit agencies.

**A. Primary Government**

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Board consists of all funds, departments, boards, and agencies that are not legally separate from the Board.

**B. Component Units**

Component units are legally separate organizations for which the Board is financially accountable. Component units may also include organizations that are fiscally dependent on the Board in that the Board approves their budget, the issuance of their debt or the levying of their taxes. No separate governmental units meet the criteria for inclusion as a component unit.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Board's accounting policies.

**A. Basis of Presentation**

The Board's basic financial statements consist of government-wide financial statements, including a statement of net assets – cash basis and a statement of activities – cash basis, and fund financial statements which provide a more detailed level of financial information.

The statement of net assets – cash basis and the statement of activities – cash basis display information about the Board as a whole. These statements include the financial activities of the primary government. The statements distinguish the activities of the Board that are governmental in nature. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets – cash basis presents the cash balance of the governmental activities of the Board at year end. The statement of activities compares disbursements and program receipts for each program or function of the Board's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Board is responsible. The Board has only one function, Mental Health and Dependency Rehabilitation with associated objects. Program receipts include grants and contributions that are restricted to meeting the operational requirements of a particular program.

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2006

Receipts which are not classified as program receipts are presented as general receipts of the Board, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the general receipts of the Board.

During the year, the Board segregates transactions related to the Board's function or activity in a separate fund in order to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Board at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The Board has only one fund which is its major fund.

**B. Fund Accounting**

The Board uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The fund of the Board is governmental.

Mental Health and Recovery Fund - This fund accounts for a county-wide property tax levy and federal and state grants that are primarily used to pay the costs of contracts with local mental health agencies that provide services to the public.

**C. Basis of Accounting**

The Board's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Board's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Data**

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board uses the object as its legal level of control.

The certificate of estimated resources may be amended during the year if the Board's fiscal officer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years.

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2006

The amounts reported as the final budget represent the final appropriation the Board passed during the year.

E. Cash

As required by Ohio Revised Code, the Belmont County Treasurer is custodian for the Board's cash. The Board's cash is held in the County's cash and investment pool, and is valued at the County Treasurer's carrying amount. Deposits and investment disclosures for the County as a whole may be obtained from the County.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Board's cash basis of accounting.

G. Employer Contributions to Cost-Sharing Pension Plans

The Board recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Board's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

I. Fund Balance Reserves

The Board reserves any portion of the fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**Note 3 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) presented for the Mental Health and Recovery Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

Mental Health and Recovery Fund	\$116,500
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**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2006

**Note 4 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Grants. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Board.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Board.

**Note 5 – Risk Management**

**Commercial Insurance**

The Board has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Errors and omissions.

**Note 6 – Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, were required to contribute 9 percent of their annual covered salaries. The Board's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Board's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$34,785, \$32,158 and \$32,264 respectively; 100 percent has been contributed for 2006, 2005, and 2004.

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2006

**Note 7 – Postemployment Benefits**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$11,595. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**Note 8 – Contingencies**

**Grants**

Amounts grantor agencies pay to the Board are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 9 - Subsequent Event**

Each fiscal year the Board estimates the number of "bed days" it anticipates using at the Appalachian Behavioral Healthcare Facility (State Hospital) for Belmont, Monroe and Harrison County residents. To defray the State Hospital's operating costs, this estimated number of bed days is then multiplied by a State determined per diem rate and the total amount is withheld from the board's Per Capita grant allocation. At fiscal year end, the actual bed days used is compared to estimated days and an amount due to the State or a reimbursement to the Board is calculated.

**Mental Health and Recovery Board**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended December 31, 2006

During fiscal year 2007, the Board estimated it would use 1,825 bed days and actual bed days used was 3,343 or 1,518 additional bed days used. This created a liability of \$501,683 that must be paid to the State of Ohio. The Community Mental Health Services Board is responsible for \$50,317 of this liability. This liability will be deducted from the Board's Per Capita grant allocation during fiscal year 2008.

**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Safe and Drug-Free Schools and Communities - State Grants	COME-ADA-WP071Z	84.186B	\$ 61,390
Total U.S. Department of Education			<u>61,390</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Mental Health Services:</i>			
Public Health and Social Services Emergency Fund	05-IBHS-06-01	93.003	811
Promoting Safe and Stable Families	05-CS-06-01	93.556	22,033
	05-CS-07-01	93.556	<u>32,507</u>
Total Promoting Safe and Stable Families			54,540
Community Based Child Abuse Prevention Grants	05-CS-06-03	93.590	10,000
Social Services Block Grant	C-05-06-03	93.667	50,042
	C-06-07-03	93.667	<u>24,126</u>
Total Social Services Block Grant			74,168
State Children's Insurance Program	N/A	93.767	135,241
Medical Assistance Program	N/A	93.778	2,575,947
Block Grants for Community Mental Health Services:			
Community Plan Block Grant	N/A - FY06	93.958	83,284
	N/A - FY07	93.958	<u>31,179</u>
Total Community Plan Block Grant			114,463
<i>Total Passed Through Ohio Department of Mental Health Services</i>			<u>2,965,170</u>
<i>Passed Through Ohio Department of Alcohol and Drug Addiction Services:</i>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	COME-ADA-WP041Z	93.243	83,477
	06-TSIG-07-01	93.243	<u>13,493</u>
Total Substance Abuse and Mental Health Services			96,970
State Children's Insurance Program	N/A	93.767	24,867
Medical Assistance Program	N/A	93.778	135,566
Block Grants for Prevention and Treatment of Substance Abuse:			
Substance Abuse Prevention Treatment Block Grant	COME-ADA-WP041Z	93.959	185,530
	COME-ADA-WP04LC	93.959	<u>197,192</u>
Total Substance Abuse Prevention Treatment Block Grant			382,722
Residential Treatment for Women	COME-ADA-WP04LC	93.959	122,907
	COME-ADA-WP054T	93.959	<u>122,910</u>
Total Residential Treatment for Women			245,817
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>628,539</u>
<i>Total Passed Through Ohio Department of Alcohol and Drug Addiction Services</i>			<u>885,942</u>
Total U.S. Department of Health and Human Services			<u>3,851,112</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 3,912,502</u></b>

*The Notes to the Schedule of Federal Awards Expenditures is an integral part of the Schedule.*

**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Board's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – SUBRECIPIENTS**

The Board passes-through certain Federal assistance received from the Ohio Department of Mental Health and the Ohio Department of Alcohol and Drug Addiction Services to not-for-profit agencies (subrecipients). As described in Note A, the Board records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the Board is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require that the Board contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Board has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Mental Health and Recovery Board  
Belmont County  
99 North Sugar Street  
St. Clairsville, Ohio 43950

To the Members of the Board:

We have audited the financial statements of the governmental activities and the major fund of the Mental Health and Recovery Board, Belmont County, Ohio (the Board), as of and for the year ended December 31, 2006, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Board's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Board's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Board's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 10, 2007



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mental Health and Recovery Board  
Belmont County  
99 North Sugar Street  
St. Clairsville, Ohio 43950

To the Members of the Board:

#### Compliance

We have audited the compliance of the Mental Health and Recovery Board, Belmont County, Ohio (the Board), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Board's major federal programs. The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Mental Health and Recovery Board complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006.

In a separate letter to the Board's management dated September 10, 2007, we reported another matter related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Board's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 10, 2007

**MENTAL HEALTH AND RECOVERY BOARD  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Medical Assistance Program C.F.D.A. # 93.778; Block Grants for Prevention and Treatment of Substance Abuse C.F.D.A. # 93.959
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Mary Taylor, CPA**  
Auditor of State

**MENTAL HEALTH AND RECOVERY BOARD**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2007**